

REPORT TO COUNCIL



Date: February 13, 2012
File: 0245-80
To: City Manager
From: General Manager - Community Services
Subject: Water Utility Rates

Recommendation:

THAT Council receive, for information, the Report dated February 13, 2012 from the General Manager, Community Services with respect to the 2012, 2013, 2014 Water Rates;

AND THAT Council approve Water Utility rates for 2012, 2013, 2014 for the operation, maintenance and capital improvements to the Utility as outlined in the report of the General Manager, Community Services dated February 13, 2012, with the first billing cycle to be in April of each of the 3 years; resulting in an average residential user fee increase of \$2.55 per month for 2012; \$2.88 per month in 2013; \$3.24 in 2014 and varying rate increases depending on meter size and usage for other customer classes.

AND THAT Council approve increases to the Water Quality Enhancement Fee for 2012, 2013, 2014 for the purpose of generating funds for water filtration requirements as outlined in the report of the General Manager, Community Services dated February 13, 2012, with the first billing cycle to be in April of each of the 3 years; of \$0.99 per month for 2012, \$1.24 per month for 2013, and \$1.54 for per month for 2014 for residential meters and increasing rates for larger metered residential, commercial and industrial properties based on meter sizes.

AND FURTHER THAT Bylaw No. 10660 being Amendment No. 2 to the Water Regulation Bylaw No. 10480 be forwarded to Council for reading consideration.

Purpose

To provide Council with information on water costs and revenues and to obtain approval for the 2012, 2013, 2014 water bylaw rate increases.

Background:

City staff have been reviewing a number of factors that are impacting water rates for 2012 and future years. Specifically they can be broken into 2 categories:

- 1) Review of financial needs based on current service levels and capital plans
- 2) Impact of Filtration Deferral Analysis working with IHA

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Impact of Current Service Levels and Capital Plans

A review was conducted by the Infrastructure Planning, Design and Construction, and Civic Operations Departments on the Water Utility revenues and expenditures, based on our most recent projections. This review considered the timing and expenses of capital improvements such as water treatment, pumping station upgrades, new trunk mains, ongoing infrastructure replacement as well as operation and maintenance. The City Financial Services Department has prepared a pro forma statement of Revenues & Expenditures for the Water Utility that is a 10-year projection, based on the present year's budget figures and future capital and operating expenditures in all areas of the Utility. This method of rate setting allows the balancing of debt and large capital expenditures, with the accumulated Utility surplus, to establish a stable Utility rate structure.

The Water Utility has been experiencing significant capital cost pressures over the past number of years due to the need to replace aging infrastructure. This has used up most of the Utility's reserves and surpluses and triggered the need for debt financing. In addition to the need to replace aging cast iron water mains and participate when other roads or sanitary sewer projects occur, the most notable expenditure is the current construction of the Cedar Creek Pump Station and UV water treatment at a cost of some \$17M. This new pump station replaced three very small and inadequate pump stations as well as provides increased water treatment. It also positions the Utility to service the entire Mission area of the City and move the Eldorado pump station, which has a high risk of water quality deviations due to its proximity to Mission Creek, to a backup role. Costs of these works are shared between new development and existing customers. The replacement of aging infrastructure is expected to maintain financial pressures on the utility. Projects over the next five years include cast iron main replacement projects, Poplar Point chlorine system replacement, and participation in projects such as Bernard Avenue revitalization.

When Council approved the 2011 rates they were informed that overall rate increases of 55% over a 5 year period was required to cover these capital expenses as well as increasing operating costs. By approving proposed rates for the 2012, 2013, and 2014 time period we anticipate the increased revenues will allow the Utility to have future rate increases after that time more in line with inflation.

In 2011 a comprehensive cost of service analysis was done by customer class which found that single family residential is subsidizing all other classes of customers. The proposed rates within the bylaw reflect a continued strategy to bring revenues for each customer class in line with their respective cost of service over a five year period. Areas where this will not be achieved are where Council previously agreed to a 50% cost of service for parks and 25% cost of service for agricultural. Being sensitive to the cost to agriculture, staff are recommending agricultural rates that are closer to those charged by City Improvement Districts. The impact of these increases result in an average increase of 14.3% for single family strata, 11.4% for multifamily-residential, and 15% for commercial.

This rate increase continues to place the City water utility as the second lowest of the five water purveyors in the City and well below most municipalities in British Columbia (see Attachment 1). There is considerable certainty in the revenue requirements for the Utility for this time period and therefore Council is requested to approve the increases for the 3 year period. These revenues will then be the basis of future budget planning over that time period.

Filtration Deferral Requirements

In 2011 Council approved a report and recommendations that outlined the City's requirement to set aside funds for future water filtration as part of approval of filtration deferral as required by IHA and the Province of BC. The cost of future filtration is approximately \$134 M (2011 dollars) in capital costs. Assuming 2/3 funding from the Federal and Provincial governments, Council approved that the City generate its share through the current Water Quality Enhancement Fee (WQEF). These fees will generate most of the total required funds over the next 30 years. By approving the fee as outlined in the bylaw from the current \$3.96 to the recommended \$7.73 by 2014 it is anticipated that approximately \$2.0M per year will be set aside for future filtration works. These funds will also be used to pay for any other filtration deferral related capital projects that may arise.

Summary

Water Utility revenues from our customer base come from two types of charges; the monthly user rate and an annual parcel tax. The user rate for all customer classes is based on a combination of a fixed monthly rate plus a variable rate per month based on actual consumption. The annual Parcel Tax makes up the other component of our water charge and is presently \$50.⁰⁰ per year, per parcel that is capable of being serviced with water. The proposed new rates incorporate a continuation of the Parcel Tax component of the Utility billing recognizing the funding needs of the Utility.

The proposed bylaw also reflects a continued strategy to reduce meter charges over a 5 year period to reflect actual customer and meter service related charges only. This results in a reduction in the fixed rate charges for all classes. Those cost reductions for the meter charge are recovered through the changes to the variable rate. Schedule B also reflects 2012 pricing through our contractor, Corix, for meter supply and installation.

These rate increases are significant when considered on a percentage basis. However, when one considers rates charged by other water improvements districts in the City and other municipalities throughout the Province as outlined in the attached surveys, we are the second lowest of all surveyed and consistently well below most other jurisdictions.

The new rates are proposed to be in effect for the first billing cycle in April and will appear first on the April 16th utility bill each year and subsequent bills for customers receiving a utility bill. Our customers will be provided with notice of the rate change, to be printed on our customer utility bills, prior to the rate coming into effect.

INTERNAL CIRCULATION TO:

Director of Financial Services, Revenue Manager, City Clerk, Director Infrastructure Planning, Director of Community & Media Relations, Utility Engineering Planning Manager, Utilities Services Manager, Director of Civic Operations.

FINANCIAL/BUDGETARY CONSIDERATIONS:

The recommended rates are consistent with the 10-year Utility Financial Plan

COMMUNICATIONS CONSIDERATIONS:

Notification to customers will go out through the utility bill and through Council highlights in the newspaper.

Considerations that were not applicable to this report:

PERSONNEL IMPLICATIONS:

EXISTING POLICY:

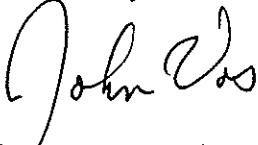
EXTERNAL AGENCY/PUBLIC COMMENTS:

ALTERNATE RECOMMENDATION:

LEGAL/STATUTORY AUTHORITY:

LEGAL/STATUTORY PROCEDURAL REQUIREMENTS:

Submitted by:

A handwritten signature in black ink that reads "John Vos". The signature is written in a cursive style with a large initial "J" and "V".

John Vos, General Manager - Community Services

Attachments

cc: All internal circulations
Financial Planning Manager

Kelowna Water Purveyors SFD Water Rates (metered and un-metered)

Updated: Feb 15 2012

Purveyor	SFD	Charge Type	Rate	Monthly Cost of 41m ³
City of Kelowna (2012)	SFD	Monthly Flat Rate plus	\$9.25	\$32.79
		First 30 cubic meters	\$0.322	
		Next 50 cubic meters	\$0.433	
		Next 45 cubic meters	\$0.657	
		Consumption in excess of 125 cubic meters	\$1.314	
BUID (2011)	SFD Unmetered	Water Quality Enhancement Fee monthly	\$4.95	\$50.00
		Annual Parcel Tax	\$50.00	
		Monthly flat rate	\$68.00	
		Monthly flat rate	\$32.70	
GEID (2012)	SFD with Suite Unmetered	Monthly flat rate	\$52.25	\$47.10
		Annual Tax Levy	\$37.20	
SEKID (2012)	SFD Unmetered	Quarterly flat charge	\$132.00	\$43.92
		Annual water tax (for properties less than 1 acre)	\$71.05	
RWVW (2012)	SFD Metered	Quarterly flat charge	\$114.00	\$56.42
		Annual water tax (for properties less than 1 acre)	\$151.50	
		Quarterly flat charge	\$46.32	
		per QUARTER for the first 68.2 cubic meters	\$0.323	
		for the next 109.1 cubic meters	\$0.363	
		Consumption in excess of 313.7 cubic meters	\$0.486	\$27.00
		Annual parcel tax for grade A parcels	\$27.00	

BC Water Purveyors SFD Water Rates (metered)

Purveyor	SFD	Charge Type	Rate	Monthly Cost of 41m ³
City of Vernon (2012)	SFD Metered	Base rate per QUARTER for the first 10 cubic meters	\$66.20	\$59.91
		over 10 m3 to 40 m3	\$0.78	
		over 40 m3 to 80 m3	\$0.92	
District of West Kelowna (2010)	SFD Metered	Over 80 m3	\$1.24	\$40.54
		QUARTERLY basic charge	\$70.00	
City of Penticton (2011)	SFD Metered	First 100 cubic meters per quarter	\$0.26	\$56.50
		101 to 300 cubic meters per quarter	\$0.50	
		Consumption in excess of 300 cubic meters per quarter	\$0.80	
City of Kamloops (2011)	SFD Metered	Yearly tax levy grade A	\$56.50	\$38.57
		Monthly rate	\$17.25	
District of Saanich (2012)	SFD Metered	Rate per cubic meter City 45m3 -135m3	\$0.520	\$89.45
		Base Consumption Rate per Year	\$256.40	
Maple Ridge (2010)	SFD Metered	Rate per cubic meter City 45m3 -135m3	\$0.614	\$242.30
		Fixed Annual Capital Charge	\$242.30	
City of Richmond (2010)	SFD Metered	Monthly flat charge	\$3.75	\$54.26
		Rate per cubic meter	\$1.232	
City of Abbotsford (2011)	SFD Metered	Base Rate per Quarter	\$31.85	\$39.70
		Rate per cubic meter	\$0.7094	
City of Surrey (2011)	SFD Metered	Minimum Quarterly Charge	\$10.00	\$48.04
		Quarterly operating fee	\$20.00	
West Vancouver (2010)	SFD Metered	Rate per cubic meter	\$0.9277	\$46.33
		Rate per cubic meter	\$1.13	
	SFD Metered	Base charge every four months	\$20.00	\$36.78
		Rate per cubic meter	\$0.775	
	SFD Metered	Meter Fee (Quarterly)	\$16.67	\$57.93
		Water Base Charge (Quarterly)	\$45.32	
		0-60 cubic meters	\$0.74	\$1.07
		61-180 cubic meters	\$1.07	
		over 180 cubic meters	\$1.40	

Kelowna Water Purveyors ICI, MULTIFAMILY Water Rates (metered and un-metered)

Updated: Feb 6, 2012

PURVEYOR	DEVELOPMENT TYPE	CHARGE TYPE	RATE
CITY OF KELOWNA (2012)	ICI Metered	Base Rate - based on meter size	\$9.25 - \$477.02
		Consumption per cubic meter	\$0.331
		Water Quality Enhancement Fee	\$4.95- \$632.61
	Multifamily	Base Rate - based on meter size	\$9.25 - \$477.02
		Consumption per cubic meter	\$0.313
	Water Quality Enhancement Fee		\$4.95- \$632.61
	Single Family Strata (Single fam on a strata)	Base Rate - based on meter size	\$9.25 - \$477.02
		First 30 cubic meters	\$0.336
		Next 50 cubic meters	\$0.444
		Next 45 cubic meters	\$0.672
		Consumption in excess of 125 cubic meters	\$1.344
Water Quality Enhancement Fee		\$4.95- \$632.61	
BMID (2011)	Multifamily Unmetered	Medium Density (Duplex, triplex, fourplex) per unit per month	\$30.90
		High Density (Apartments, Condominiums) per unit per month	\$27.55
	ICI Unmetered	Mobile Home Park per unit per month	\$28.30
		Commercial Low Usage	\$37.60
Commercial Medium Usage		\$47.90	
	Commercial High Usage	\$75.95	
ICI Metered	Minimum monthly charge for first 76m ³	\$298.70	
	for every cubic meter thereafter	\$0.26	
GEID (2012)	Commercial/Recreational/Car Wash	Quarterly flat rate for first 90m ³ /unit	\$90.00
		Consumption per cubic meter in excess of 90m ³ /unit	\$0.30
	Strata and Multifamily (metered)	Quarterly flat rate for first 90m ³ /unit	\$117.00
Consumption per cubic meter in excess of 90m ³ /unit		\$0.30	
SEKID (2012)	ICI (metered)	Monthly base rate for first 30m ³	\$44.00
		Consumption per cubic meter in excess of 30m ³	\$0.30
	Commercial buildings (metered)	Monthly flat rate	\$38.00
Metered rate per cubic meter		\$0.64	
RMMW (2012)	Metered minimum rate per month		\$38.00
			\$46.32
	Duplex, Triplex (Strata Included) Metered	for the next 109.1 cubic meters	\$0.32
		for the next 136.4 cubic meters	\$0.36
	Annual rate for grade A parcels		\$0.49
		\$27.00	
Duplex, Triplex (Strata Included) Unmetered		\$27.00	
	Quarterly flat charge	\$77.22	

Apartment Buildings (Fourplexes and up. Strata included)	per QUARTER for the first 40.9 cubic meters	\$40.98
	for the next 40.9 cubic meters	\$0.32
Apartment Buildings (Fourplexes and up. Strata included) Unmetered	for the next 136.4 cubic meters	\$0.36
	Thereafter per m ³	\$0.49
Commercial/Churches - Metered	Quarterly flat charge	\$77.22
	Per Quarter - for the first 40.9 cubic meters	\$40.98
	for the next 218.2 cubic meters	\$0.32
	for the next 136.4 cubic meters	\$0.36
	Thereafter per cubic meters	\$0.49

BC Water Purveyors ICI, MULTIFAMILY Water Rates (metered and unmetered)

City of Vernon (2011)	Multifamily Metered	Base rate per QUARTER for the first 10 cubic meters	\$66.20
		over 10 m ³ to 40 m ³	\$0.78
		over 40 m ³ to 80 m ³	\$0.92
		Over 80 m ³	\$1.24
	Multifamily Unmetered	QUARTERLY flat rate where metering is not possible	\$131.23
	Commercial Metered	QUARTERLY flat rate where metering is possible (initial qtr/subsequent)	\$ 201.43 / 425.10
	Quarterly Basic Charge in addition to charge based on meter size	\$66.20	
	Rate per cubic meter	\$0.92	
	Quarterly charge based on meter size	\$66.30 - \$1368.71	
	Quarterly Rate	\$196.20	
District of West Kelowna - WID (2010)	Multifamily and ICI Metered	Quarterly charge based on size	\$70.00 - \$2,800.00
		Charge per cubic meter (in addition to basic charge based on meter size)	\$0.46
City of Kamloops (effective for 2012)	ICI Unmetered	User Rate - For each light use commercial unit	\$343.60
		User Rate - For each medium use commercial unit	\$1,030.00
		User Rate - For each heavy use commercial unit	\$2,048.00
		Annual Irrigation Rate for each hectare of property per annum	\$382.73
	ICI Metered	Annual Base Rate - based on meter size	\$242.3 - \$20,595.33
	Rate per cubic meter	\$0.5060	
District of Saanich (2011)	ICI Metered	Monthly flat charge based on meter size	\$2.8 - \$335
		Rate per cubic meter	\$1.232
	Multifamily Metered	Monthly flat charge per unit	\$1.23
	Park Water Rate	for each cubic meter	\$0.57
	Agriculture Water Rate	for each cubic meter	\$0.68
	Farm Water Rate per Assmt Act	for each cubic meter	\$0.21
	Monthly charge	per meter size	\$2.80 - 335.00
Maple Ridge (2010)	ICI Unmetered	Annual flat charge per unit	\$413.65
	Multifamily Unmetered	Annual flat charge per unit	\$392.65
	ICI Multifamily Metered	Quarterly base charge based on meter size	\$31.85 - \$570.30
	Rate per cubic meter	\$0.7094	

City of Richmond (2010)	Multifamily Unmetered	Annual flat rate for townhomes	\$429.96
		Annual flat rate for apartments	\$277.06
	ICI Multifamily Metered	Quarterly minimum charge	\$95.00
		Rate per cubic meter	\$0.93
City of Abbotsford (2011)		Quarterly meter rent charge	\$11.50 - \$662.00
	Commercial, Industrial	For a 12 month billing period: 1 - 10,000 m ³	\$0.92
		10,001 - 100,000m ³	\$0.85
City of Surrey (2011)		100,001 +	\$0.69
	ICI Multifamily Metered	Base charge for 4 months based on meter size	\$20 - \$213.00
West Vancouver (2010)		Rate per cubic meter	\$0.775
	Multifamily Unmetered	Annual per unit rate	\$254.00
	ICI Metered	Meter Fee (quarterly) per unit	\$16.67
		Water Base Charge (Quarterly) based on meter size	\$129.80 - \$3,794.91
		Rate per cubic meter	\$0.88
Multifamily Metered		Meter Fee (quarterly) per unit	\$16.67
		Water Base Charge (Quarterly) based on meter size	\$96.80 - \$2,742.56
		Rate per cubic meter	\$0.88